

# Congress of the United States

Washington, DC 20515

## STATEMENT TO THE SENATE LABOR COMMITTEE REGARDING PENSIONS

From: Congressman Gil Gutknecht R-MN

Chairman Jeffords, Members of the Senate Labor Committee, thank you for permitting me to provide a statement for the record on pension reform, and in particular cash balance plans.

I direct my remarks towards pension reforms in whole, but I will speak specifically of my concerns with IBM's pension plan.

I represent the First District of Minnesota: My district is home to 5,900 IBM employees in Rochester, Minnesota. Over the last few months, I have been contacted by many IBM employees who are anxious and angry with IBM's decision to convert their defined benefit pension program to a cash balance plan. This conversion was instituted without extending a retirement plan choice to *all* employees and without fully disclosing the pension benefit changes for each employee.

First, let me say that I have no argument with IBM converting to a cash balance plan. It may prove beneficial financially for many of their employees. However, I believe *any company* that institutes such a fundamental change in their pension system should do so only with the consent of the affected employees. Full disclosure of the changes is an absolute must, as is giving affected employees a reasonable choice.

I have always had an excellent working relationship with IBM, but I was deeply disappointed in IBM's initial handling of this situation. After hearing from many constituents in my district, I felt it appropriate to write to Mr. Louis Gerstner, CEO of IBM. After receiving an inadequate response, I was compelled to write to the Equal Employment Opportunity Commission (EEOC) and ask them to look into the possibility of age discrimination by IBM. I have recently wrote to Mr. Gerstner again, asking that IBM reconsider their position.

I was pleased to learn that IBM has adjusted their plan to extend a choice to all employees over 40 years of age with 10 or more years with the company. I believe these changes are strong step in the right direction towards rebuilding the mutual trust and loyalty that IBM has traditionally enjoyed with its employees and restoring its reputation for leadership in employer-employee relations. However, further action is necessary.

In closing, I would like to reiterate my support for full disclosure of pension plan changes with reasonable choices for *all* employees. Momentum continues to build in Congress to address this problem legislatively if companies will not voluntarily do so.

I would like to commend Chairman Jeffords and this Committee for taking the initiative to inquire into pension plan reform.